

## Session 4:

# Accounting for Title IV Programs

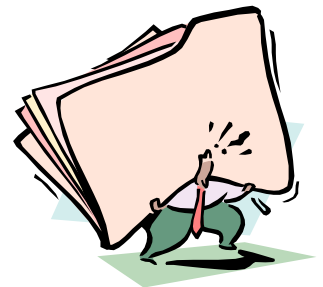
### Session Objectives

After completing this session, you will be able to:

- ✓ describe institutional responsibilities of control and accountability over funds *and*
- ✓ explain standards for an internal control system.

### Resources

- *The Blue Book*, Chapter 5
- 34 CFR 668.16



## Notes

## Team Exercise #1: Presentations

As a team you must prepare a presentation on the topic you have been assigned. Write an outline of key points on a piece of flip-chart paper, and choose a spokesperson to make the presentation.

### Topics for Team Presentations:

1. Control and accountability in institutional financial management systems
2. Accounting systems, including the chart of accounts
3. Internal controls (separation of functions, trial balances, reconciliation)
4. Electronic data processing and other controls

### Resources for Team Presentations:

- *The Blue Book*, Chapter 5
- Your professional experience administering Title IV funds

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## Team Exercise #2: Case Studies

The following team exercise will give you the opportunity to use what you have learned in this session about accountability and control and accounting procedures.

The schools listed below have recently undergone an audit and have received findings. Each team must prepare a plan of action for the institution you are assigned. Choose a team spokesperson for presenting your plan to the workshop participants.

**Sunshine College:** Sunshine College, a small, four-year private college, still relies mainly on a paper-based accounting system. The following findings have been cited:

- ◆ lack of a well-defined and disciplined closing process;
- ◆ no interim closings during the year;
- ◆ many adjustments made after general ledger activity was scheduled to be closed;
- ◆ ineligible branch/location (students received financial aid);
- ◆ satisfactory academic progress standards not adequately monitored;
- ◆ inadequate internal controls (same individual authorizing and disbursing Title IV aid); *and*
- ◆ Perkins Loan entrance interviews not documented.

**Cassius Community College:** Cassius Community College has a history of high turnover and recently underwent a change in their database software. The following findings have been cited:

- ◆ student account records not maintained;
- ◆ balance sheet, revenue, and expense accounts were not analyzed or reconciled during the year;
- ◆ excess cash balances maintained;
- ◆ FFEL refunds to lenders not made within 30 days;
- ◆ FFEL entrance counseling not performed;
- ◆ delinquent and defaulted Federal Perkins Loans not reported to credit bureaus; *and*
- ◆ federal funds are not identified in bank accounts.

**Survivor State College:** Survivor State College, a 4-year public institution, is new to the Federal Perkins Loan Program. The following findings have been cited:

- ◆ the school did not make its required Institutional Capital Contribution to the Federal Perkins Loan Program;
- ◆ accounting records not maintained;
- ◆ interest on federal funds not returned to ED;
- ◆ federal funds not identified in bank;
- ◆ overawards (financial need exceeded);
- ◆ Federal Work-Study Program funds not reconciled); *and*
- ◆ failure to maintain adequate electronic data processing controls (all fiscal office employees have access to all functions in the administrative software).

**Aldo's School of Beauty:** Aldo's School of Beauty, is a small technical school with few employees. The Director of Financial Aid has discussed student and parent complaints about late refunds with the chief fiscal officer, to whom she reports. The following findings have been cited:

- ◆ failure to refund Title IV credit balances to students and parents;
- ◆ Title IV funds not returned when students withdraw;
- ◆ refund calculation incorrect;
- ◆ ineligible program;
- ◆ no closing performed at the end of the fiscal year;
- ◆ excess cash balances maintained;
- ◆ FFEL entrance counseling not documented; *and*
- ◆ employee who handles cash receipts is also accounting for cash.

**Stevens Computer School:** Stevens Computer School is a large technical school that is growing rapidly. They have several campuses, and no clear definition of leadership; each campus has a "home grown" method of handling accounting procedures. The following findings have been cited:

- ◆ balance sheet, revenue, and expense accounts were not analyzed or reconciled during the year;
- ◆ ineligible branch/location (students received Title IV aid);
- ◆ excess cash balances maintained;
- ◆ chart of accounts not updated to reflect current Title IV program participation;
- ◆ satisfactory academic progress standards not adequately monitored;
- ◆ verification not completed; *and*
- ◆ failure to submit audit.